

Volunteer Income Tax Assistance Grant Program

Frequently Asked Questions

Allowable/Unallowable Expenses

1. What are some allowable and unallowable uses of the VITA Grant funds?

Allowable Expenses	Unallowable Expenses
Hardware - computers/printers and related supplies (ref. OMB guidelines)	Tax preparation software
Reasonable salary costs for VITA Program clerical support, site coordinator, tax law instructor	Salary payments to volunteer return preparers, screeners, and reviewers
Reasonable office supplies	Costs that do not support or benefit the program
Costs for interpreter services for hearing-impaired taxpayers	Costs associated with refund anticipation loans

Please keep in mind that this table **is not** all inclusive. For additional allowable/unallowable expenses, refer to Publication 4671, *VITA Grant Program Overview & Application Package*.

2. Are marketing and advertising VITA site operations a covered expense under the grant?

Yes. Publicity and marketing of free tax return preparation activities are allowable expenses as long as they are reasonable and necessary to the program.

3. The grant period begins October 1 but it doesn't look like the award will be made until October 31. Can expenses incurred between October 1, 2008 and October 31, 2008 be covered by the grant if awarded?

Yes. Expenses incurred after the start of the grant period but before the award of the funds can be included; however, if a grant is not awarded (or is reduced) monies spent during this time are not reimbursable by IRS.

4. What expenses are covered by the grant?

Please refer to the Publication 4671, Appendix D, Exhibit 1, for a list of allowable and unallowable expenses. In general, expenses are only allowable if they are reasonable or are costs that would not have been incurred but for the program (page 19, Pub. 4671.)

5. Can the matching or grant funds be used for IRS outreach or financial literacy activities?

No. The matching and grant funds awarded must be used specifically to support the VITA program, which provides free federal return preparation and electronic filing.

6. Are individual development accounts (IDAs) covered by this grant?

No. The grant is not for this initiative. IDAs are a worthwhile program and provide benefits. We encourage you to continue your work in this area.

7. If I wanted to hire staff personnel, could they be hired before the draw down date and paid using grant funds?

Yes. Allowable expenses incurred after the start of the grant period but before the draw down date can be included. However, there is some risk if monies are committed or expended before the award. If there is no award, monies are not reimbursable.

8. Can the cost of preparing the application package be paid for with grant funds?

No. Cost associated with the preparation of the VITA Grant application package is an unallowable expense (Pub 4671, page 74).

9. Are meals provided to volunteers an allowable cost?

Meal costs are considered entertainment cost and are not allowed per the OMB circulars unless the statute authorizing the grant dictates.

10. I see that the purchase of tax preparation software is not allowable but the Form 13977 has an expense line (line 15) for software. Why?

Some applicants may need other software to operate in the program such as operating system, virus protection, or encryption software.

11. The Form 13977 does not have a line item for indirect cost rate. Are federally negotiated indirect cost rates allowable and if so where should it be reported?

Expenses are only allowable if they are reasonable expenses or costs that would not have been incurred, but for the program. To the extent that your indirect cost meets this condition, they can be included on the Form 13977, page 51, in those lines that most closely represent the item, such as salary costs, general office supplies, space rental, etc.